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Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-14 ISO-00 FEA-01 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-02 EPG-02 AID-05
SS-15 STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02
OMB-01 /111 W
----------017537 202108Z /12
R 201525Z JUN 77 CCY FOR OMISSION IN TEXT
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 3864
INFO USMISSION GENEVA
AMCONSUL MONTREAL
ALL OTHER AMCONSULS CANADA (BY POUCH)

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C O R R E C T E D C O P Y PORTION OF TEXT MISSING

USMTN ALSO FOR USMISSION

E.O. 11652: N/A
TAGS: GATT, ETRD, CA
SUBJECT: TEXTILE AND CLOTHING BOARD REPORT ON CLOTHING
INQUIRY TABLED IN HOUSE OF COMMONS

REF: OTTAWA 4317 (NOTAL)

1. SUMMARY. ITC MINISTER JEAN CHRETIEN TABLED TEXTILE AND CLOTHING BOARD'S REPORT ON CLOTHING INQUIRY IN HOUSE OF COMMONS JUNE 16 AND ANNOUNCED CONTINUATION OF EXISTING CONTROLS ON CLOTHING IMPORTS UNTIL JUNE 30, 1978 TO ALLOW GOC TIME TO STUDY BOARD'S RECOMMENDATIONS. IN ITS REPORT BOARD CONCLUDES THAT CANADIAN CLOTHING INDUSTRY IS VIABLE BUT WILL CONTINUE FACE "RELENTLESS" THREAT OF INJURY FROM LOW-COST IMPORTS AND MUST HAVE PROTECTION. BOARD PROPOSES NEGOTIATION OF BILATERAL RESTRAINT ARRANGEMENTS WITH 21
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NAMED COUNTRIES (INCLUDING PUERTO RICO) AND ESTABLISHMENT OF STATISTICAL MONITORING SYSTEM THAT WOULD PERMIT QUICK "PRE-EMPTIVE ACTION" TO DEAL WITH PROBLEMS ARISING FROM SHIFTS IN TRADE PATTERNS. END SUMMARY.

2. FOLLOWING IS TEXT OF ITC ANNOUNCEMENT: BEGIN TEXT:
INDUSTRY, TRADE AND COMMERCE MINISTER JEAN CHRETIEN TODAY

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(JUNE 16) ANNOUNCED THE CONTINUATION OF EXISTING CONTROLS ON CLOTHING IMPORTS UNTIL JUNE 30, 1978. AN EXTENSION TO MARCH 30, 1978 WAS ANNOUNCED MAY 26.

THIS ACTION HAS BEEN TAKEN UNTIL RECOMMENDATIONS OF THE TEXTILE AND CLOTHING BOARD REPORT ON ITS CLOTHING INQUIRY CAN BE STUDIED BY THE GOVERNMENT. THE REPORT WAS TABLED TODAY IN THE HOUSE OF COMMONS BY MR. CHRETIEN.

THE MINISTER NOTED THAT CERTAIN IMPORTER AND RETAIL GROUPS HAD REQUESTED THIS STEP TO ENSURE STABILITY IN THE CANADIAN CLOTHING MARKET.

MR. CHRETIEN WILL ANNOUNCE IN THE NEAR FUTURE GOVERNMENT DECISIONS ON OTHER BOARD RECOMMENDATIONS. END TEXT.

3. COPIES OF REPORT BEING FORWARDED BY POUCH TO EUR/CAN (BLAKEMORE), COMMERCE, OTP (DESROCHERS), STR (SMITH/ MURPHY), USMISSION AND USDEL MTN GENEVA, TOGETHER WITH COPIES OF ARTICLES FROM MONTREAL GAZETTE AND TORONTO GLOBE AND MAIL, 6/17/77.

4. BOARD SUMS UP ITS "BALANCED"APPROACH TO ISSUE AS FOLLOWS: "THE BOARD HAS CONCLUDED THAT THERE IS NEED FOR A STABLE AND MORE CERTAIN MARKET-PLACE, AND THAT CANADIAN MANUFACTURERS ESPECIALLY REQUIRE THIS STABILITY FOR UNCLASSIFIED

PLANNING AND GROWTH. AT THE SAME TIME, THERE IS A DEFINITE NEED FOR CERTAIN IMPORTED APPAREL IN THE CANADIAN MARKET, TO PROVIDE THE FULL VARIETY OF GOODS AND THE COMPLETE RANGE OF PRICE REQUIRED BY THE CONSUMER. SINCE THE INTERESTS OF THE IMPORTING COMMUNITY, THE CONSUMER AND THE RETAILER COINCIDE IN THE DESIRE FOR IMPORTED APPAREL, THE BOARD'S CONCLUSIONS AND RECOMMENDATIONS DO PROVIDE THE OPPORTUNITY OF SATISFYING THESE SECTORS OF THE COMMUNITY. AT THE SAME TIME THE RECOMMENDATIONS PROVIDE PROTECTION TO THE MANU-FACTURERS FROM THE THREAT OF INJURY AND FROM CONTINUAL MARKET DISRUPTION."

5. IN ELABORATION OF ITS GENERAL CONCLUSIONS, BOARD FINDS THAT CLOTHING INDUSTRY IN CANADA IS VIABLE AND PRO-DUCTIVE BUT THAT IMPORTS HAVE COME IN "AT SUCH PRICES, IN SUCH QUANTITIES, AND UNDER SUCH CONDITIONS, AS TO CAUSE SERIOUS INJURY TO CANADIAN PRODUCTION" AND THAT IN ABSENCE OF SPECIAL MEASURES SUCH IMPORTS "WOULD CAUSE FURTHER SERIOUS INJURY" WHICH WOULD BE DIFFICULT TO REPAIR. BOARD BELIEVES THAT THERE WILL BE A CONTINUING "RELENTLESS" THREAT FROM IMPORTS. IT RECOGNIZES THAT GATT ARTICLE XIX "WAS NOT INTENDED AS A PERMANENT MEASURE OF CONTROL."

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IT THEREFORE RECOMMENDS USE OF BILATERAL RESTRAINT ARRANGE-
MENTS "FOR NOT LESS THAN THREE YEARS' DURATION, AND
PREFERABLY FOR FIVE YEARS" COUPLED WITH A CONTINUING
STATISTICAL MONITORING SYSTEM WHICH "CAN BE USED IN A
PRE-EMPTIVE WAY TO ACT QUICKLY" WHEN, FOR EXAMPLE, TRADE
PATTERNS SHIFT.

6. ON ASSUMPTION BILATERAL APPROACH WILL BE TAKEN, BOARD'S
PRINCIPAL SEPCIFIC RECOMMENDATIONS ARE:
A. IMPORTS OF 15 CATEGORIES OF APPAREL FROM ALL SOURCES
SHOULD REMAIN ON THE IMPORT CONTROL LIST, WHICH PERMITS
MONITORING OF ARRIVALS BUT DOES NOT RESTRICT ENTRIES. NOT
COVERED ARE HOSIERY AND WORK GLOVES, WHICH ARE UNDER
BILATERAL RESTRAINTS; HATS AND CAPS, WHICH ARE BEING
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ACTION EB-07

INFO OCT-01 EUR-12 IO-14 ISO-00 AGRE-00 CEA-01 CIAE-00
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FEA-01 /111 W
----------020392 210208Z /70/61
R 201525Z JUN 77
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC
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C O R R E C T E D C O P Y (PORTIONS OF MISSING TEXT)

REVIEWED BY THE BOARD; AND NECKTIES.

B. BILATERAL ARRANGEMENTS SHOULD BE CONCLUDED WITH 21 COUNTRIES FOR A FIVE-YEAR PERIOD. PUERTO RICO IS INCLUDED IN LIST OF 21 COUNTRIES; REST ARE LDC'S AND EASTERN EUROPEANS. BOARD PROPOSES NEGOTIATION WITH PUERTO RICO FOR RESTRAINT ON ITEMS IN IMPORT CONTROL LIST CATEGORY 37 -- "PANTS, INCLUDING JEANS, SLACKS, SHORTS, OVERALLS AND COVERALLS." THESE ARRANGEMENTS WOULD SUPPLANT THE PRESENT REGIME OF GLOBAL RESTRAINTS, THUS ALLOWING FREE ACCESS TO GOODS FROM DEVELOPED COUNTRIES.

C. ALL BILATERAL ARRANGEMENTS SHOULD BECOME EFFECTIVE ON JULY 1, 1978. IF THEY CANNOT BE CONCLUDED BY THEN, THEY SHOULD COME INTO EFFECT TOGETHER AT A SUBSEQUENT DATE PRESCRIBED BY ITC MINISTER. IN INTERIM GLOBAL QUOTAS SHOULD BE EXTENDED AND SHOULD BE TERMINATED ON DATE ALL ARRANGEMENTS COME INTO FORCE.
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D. FOR MOST ITEMS FIRST-YEAR LEVELS OF IMPORTS SHOULD BE SET AT FIGURES ACHIEVED IN 1975 OR 1977, WHICHEVER ARE HIGHER. GROWTH IN SUCCEEDING YEARS WOULD BE KEYED TO PERMIT FOREIGN SOURCES TO SHARE WITH CANADIAN MAKERS THE ACTUAL GROWTH IN THE CANADIAN MARKET ON A PRO RATA BASIS.

E. IMPORTS OF OUTERWEAR, SWEATERS, AND ALL MEN'S AND BOYS' TAILORED SHIRTS SHOULD BE HELD TO 1977 FIGURES. "MINIMUM POSITIVE GROWTH" OF NOT MORE THAN ONE PER CENT ANNUALLY SHOULD BE PROVIDED IN THESE ITEMS AFTER THE FIRST YEAR. PERMITS TO BRING IN SHIRTS SHOULD BE ALLOCATED QUARTERLY.

F. GENERAL PREFERENTIAL TARIFFS, WHICH AFFORD LOWER RATES OF DUTY TO CERTAIN COUNTRIES, SHOULD BE REMOVED FROM LEATHER GARMENTS.

G. BILATERAL ARRANGEMENTS SHOULD PROVIDE FOR ISSUANCE BY GOC OF PERMITS TO IMPORTERS BASED ON HISTORICAL PERFORMANCE WITH EACH COUNTRY CONCERNED.

H. EXCEPT FOR OUTERWEAR, SWEATERS AND SHIRTS, BILATERAL ARRANGEMENTS SHOULD PERMIT SWINGS (TRANSFERS) FROM ONE GARMENT CATEGORY TO ANOTHER AS WELL AS CARRYOVERS OF IMPORT ENTITLEMENTS FROM ONE PERIOD TO THE NEXT.
7. BOARD MAKES A NUMBER OF GENERAL RECOMMENDATIONS TO GOC (E.G. DEVELOP "MADE IN CANADA" LOGO, ENFORCE IMPORT

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LABELING REGULATIONS, CONSIDER SCHEME UNDER WHICH CUSTOMS DRAWBACKS TO EXPORTERS WOULD BE GRANTED ON A PROPORTIONAL BASIS TO GOODS BOUGHT IN CANADA, ESTABLISH PRODUCTIVITY AND DEVELOPMENT CENTERS), TO APPAREL MANUFACTURERS (IMPROVE PRODUCTIVITY, STRENGTHEN QUALITY CONTROL, PURCHASE GREATER PROPORTION OF FABRIC AND YARN REQUIREMENTS IN CANADA), TO UNCLASSIFIED

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DEPARTMENT AND CHAIN STORES (GIVE EVERY POSSIBLE CONSIDERATION TO BUYING FROM CANADIAN MANUFACTURERS), AND TO HIGH FASHION RETAILERS (INCREASE EMPHASIS ON BUYING FROM CANADIAN MANUFACTURERS OF PROVEN OR POTENTIAL CAPABILITY AS AN ALTERNATIVE TO IMPORTING).

8. COMMENT: GOC OBVIOUSLY WILL BE UNDER GREAT PRESSURE TO TAKE SOME SIGNIFICANT ACTION TO PROVIDE AT LEAST MEDIUM-TERM PROTECTION TO CLOTHING INDUSTRY. HOW CLOSELY IT WILL FOLLOW TEXTILE AND CLOTHING BOARD'S RECOMMENDATIONS REMAINS TO BE SEEN. R. L. LATIMER, ASSISTANT DEPUTY MINISTER, ITC, COMMENTED TO ECON COUNSELOR AT SOCIAL FUNCTION JUNE 17 THAT HE HAD NOT YET HAD CHANCE TO FOCUS ON DETAILS OF REPORT BUT WAS APPALLED AT PROSPECT OF NEGOTIATING 21 BILATERAL ARRANGEMENTS FOR SIMULTANEOUS IMPLEMENTATION. ENDERS

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Message Attributes

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Decaption Note:
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